

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03
H-01 XMB-02 CIAE-00 DODE-00 INR-10 NSAE-00 PA-01
/095 W

-----098055 151500Z /53

R 151423Z AUG 78
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 7294
INFO AMEMBASSY ATHENS
USINT BAGHDAD
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
USDOC WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 06645

E.O. 11652: GDS
TAGS: ETRD, XF, US
SUBJECT: ARAB BOYCOTT: TRADE IMPACT OF ANTI-BOYCOTT
LEGISLATION

REFS: A)STATE 194719 B)AMMAN 4529 C)AMMAN 2707

1.SUMMARY: ALTHOUGH US BUSINESSMEN AND JORDANIANS HOLD
THE OPINION THAT ANTI-BOYCOTT LEGISLATION WILL
SIGNIFICANTLY REDUCE US-JORDAN TRADE, ONLY MAJOR
EXAMPLE SO FAR ARE LETTERS OF CREDIT, WHICH MAY BE
ALL BUT DEAD. LOCAL BUSINESSMEN HAVE DEVELOPED
VARIETY OF MEANS TO KEEP IMPORTING U.S. GOODS
AND ALLOWING U.S. FIRMS TO BID ON TENDERS. ACTUAL
VALUE OF TRADE LOST CANNOT BE ACCURATELY DETERMINED
AT THIS TIME. INFO CONTAINED PARAS 2A, B AND D
SHOULD NOT BE RELEASED EXCEPT AS NOTED. END SUMMARY.

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2. FOLLOWING RESPONSES KEYED TO QUESTIONS PARA 4
REF A.

A) BIGGEST PROBLEM SEEMS TO BE REQUIREMENT THAT
LETTERS OF CREDIT (LC'S) CARRY CERTIFICATION THAT
VESSEL CARRYING CARGO NOT BLACKLISTED. ONE U.S.
BANK FEELS THAT EAA CUT USE OF LC'S BY 50 PERCENT

AND TRA LOST THE OTHER HALF. NY LAWYERS OF OTHER US BANK MAY HAVE FOUND SOLUTION TO THIS, BUT UNTIL IMPLEMENTED LC'S ARE ALL BUT DEAD AS INSTRUMENTS OF PAYMENT. IN TENDER DOCUMENTS FOR AID FUNDED PROJECTS GOJ SEEKS MISSION ASSISTANCE WITH WORDING AND HAS ALWAYS DELETED LANGUAGE WHICH WOULD KEEP US CONTRACTORS FROM SUBMITTING BIDS. LOCAL AGENTS HAVE ALSO BEEN ABLE TO PRESSURE GOJ TO ADOPT TENDER LANGUAGE WHICH WOULD ALLOW THEIR PRINCIPALS TO BID.

B) GOJ IS FLEXIBLE IN SPECIFIC CASES WHERE US GOODS/SERVICES ARE NEEDED, BUT WILL NOT CONFRONT CENTRAL BOYCOTT OFFICE. IN GENERAL WE FEEL IT BEST TO ALLOW BUSINESS TO BE CONDUCTED BETWEEN US AND LOCAL FIRMS AS IT IS NOW RATHER THAN MAKING APPROACH WHICH WOULD BE UNPRODUCTIVE AT BEST.

C) TO OUR KNOWLEDGE, UNILATERAL SELECTION IS NOT WIDELY USED.

D) SIZE OF US FIRM DOES NOT APPEAR TO HAVE MUCH EFFECT ON IMPACT OF ANTI-BOYCOTT LEGISLATION HERE. SMALL U.S. FIRMS ARE ABLE TO CONTINUE SHIPPING THROUGH EFFORTS OF LOCAL AGENTS/DISTRIBUTORS. THERE ARE FEW TENDERS HERE TO ATTRACT REGIONAL FIRMS BASED IN AMMAN; HOWEVER, REPS NOTE THAT
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PROBLEMS NOT AS BAD AS ELSEWHERE (E.G. KUWAIT). LARGE US BANKS, EXCEPT AS NOTED ABOVE, ARE ROUTINELY ADVISED BY THEIR NY LEGAL STAFFS NOT TO TOUCH LC'S.

E) LOCALLY BASED US FIRMS DO NOT APPEAR UNDULY CONCERNED ABOUT REPORTING REQUIREMENTS. ALL REPORTING THAT WE KNOW OF IS MADE TO HOME OFFICES ON SPOT OR RECURRING BASIS. US OFFICES GENERALLY GIVE GUIDANCE.

F. WHILE THIRD-COUNTRY FIRMS ARE CERTAINLY TRYING TO CASH IN ON EFFECTS OF LAW, WE HAVE FOUND NO CASES WHERE FALSE ACCUSATIONS HAVE BEEN SPREAD ABOUT U.S. FIRMS.

G. UNCERTAINTIES AND OVERLAPPING PROVISIONS OF EAA AND TRA ARE PROBABLY INHIBITING SMALLER AND NEW-TO-MARKET FIRMS FROM TRYING TO START NEW RELATIONSHIPS HERE. OUR ONLY MEASURE OF THIS IS THAT RESPONSES TO OUR TRADE OPPORTUNITIES PROGRAM REPORTING HAVE NOT BEEN AS GOOD AS IN PAST. ALREADY ESTABLISHED FIRMS, HOWEVER, WERE QUICKLY ABLE TO SWITCH FROM LC'S

TO SIGHT DRAFTS OR OPEN-ACCOUNTS. WE DOUBT MANY
NEW-TO-MARKET FIRMS WOULD WISH TO USE THESE METHODS
OF PAYMENT TO INITIATE A BUSINESS RELATIONSHIP.

H. SEE A) ABOVE AND I) BELOW.

I. DOLLAR VALUE OF LOSSES INCURRED IS DIFFICULT
TO MEASURE AT THIS TIME. SINCE WE KNOW OF NO TENDERS
LOST BY U.S. FIRMS (OR ANY WHICH U.S. FIRMS HAD A CHANCE
OF GETTING AND DID NOT BID ON), WE ASSUME MINIMAL LOSSES.

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/095 W

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R 151423Z AUG 78
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 7295
INFO AMEMBASSY ATHENS
USINT BAGHDAD
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C O N F I D E N T I A L SECTION 02 OF 02 AMMAN 06645

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WHEN IMPORT DATA FOR FIRST HALF OF 1978 IS PUBLISHED BY
B.T.N. NUMBER, WE WILL ATTEMPT TO DETERMINE IF THERE ARE
ANY PATTERNS THAT CANNOT BE EXPLAINED BY OVERALL ECONOMIC
ACTIVITY, VALUE OF U.S. DOLLAR, ETC.; HOWEVER, EVEN THIS
IS COMPLICATED BY UNRESOLVABLE FACTORS, E.G., SOME LOCAL
IMPORTERS HAVE RECENTLY ACQUIRED UP TO 12 MONTHS STOCK TO
PRECLUDE FUTURE PROBLEMS. ALSO, MANY ORDERS NOW IN
PIPELINE WERE PLACED BEFORE LAWS TOOK EFFECT. REAL CRUNCH
MAY NOT SHOW UP UNTIL ORDERS BEING PLACED NOW ARE ACCEPTED
OR REJECTED. WE HOPE THAT BY THE TIME INFO DEVELOPS
IT IS NOT TOO LATE.

3. WE HAVE INFORMALLY CHECKED WITH GOVERNOR OF CENTRAL BANK
AND UNDERSECRETARY OF INDUSTRY AND COMMERCE WHOSE IMPRESSIONS
AGREE WITH OURS.

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4. EXCEPT FOR FIRST SENTENCE OF PARAS 2A AND 2D, INFO
CONTAINED PARAS 2A, 2B, AND 2D SHOULD NOT BE RELEASED AS
THIS COULD RESULT IN TIGHTENING OF RESTRICTIONS. SUDDARTH

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